

TREASURY



NEWS

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TREASURY UNDER SECRETARY FOR DOMESTIC FINANCE
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HOUSE BANKING AND FINANCIAL SERVICES
SUBCOMMITTEE ON GENERAL OVERSIGHT AND INVESTIGATIONS

I am pleased to be here today to discuss the Treasury's currency program and our audit plan on the uses and counterfeiting of U.S. currency overseas. With me is Roger Anderson, Deputy Assistant Secretary of the Treasury for Federal Finance. Mr. Anderson serves as a member of the Advanced Counterfeit Deterrence Steering Committee, which I chair. The Steering Committee is an interagency committee composed of officials from the Treasury Department, Secret Service, Bureau of Engraving and Printing, and the Federal Reserve. It was established in 1982 and is charged with the stewardship of the U.S. currency system.

During the past few years the Steering Committee has led the effort to develop and introduce the first significantly redesigned U.S. currency since 1928. In fact, just about a year and a half ago, I testified before this same Subcommittee shortly before the issuance of the new \$100 note. I would like to take this opportunity to provide you with an update on our experience with the newly designed currency, after which, Mr. Anderson will discuss Treasury's audit plan in greater detail.

The new \$100 note, put into circulation in March 1996, incorporates an array of anti-counterfeit features that enhance the security of our currency by making it more difficult to replicate. Improvements in reprographic technology, such as color copiers and computer scanners, required us to update our counterfeit deterrence features in order to stay ahead of counterfeiters. This technology presents one of the greatest threats to the security of our currency due to its increasingly widespread availability at lower and lower costs.

Looking back on the first 15 months of the Series 1996 note's circulation, we are

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extremely pleased with its effectiveness. Since the note's introduction, only 3.4 percent of all counterfeit notes passed on the public were Series 1996 \$100 notes. Moreover, we have found that the security features have performed as expected, and, to date, the Secret Service has found no counterfeit Series 1996 notes that it would characterize as highly deceptive.

We are also quite pleased with the rollover of the new notes for the outstanding older series notes. Through May of this year, only fourteen months after the introduction of the first notes, 42 percent of all \$100 notes in circulation were Series 1996 notes. This rate compares with a replacement percentage of 36.9 percent at the same point following the introduction of the Series 1990 notes, which were the first U.S. currency notes to include a security thread and microprinting.

An aspect of the rollover that is perhaps more important than the percentage of new notes now in circulation is the manner in which the rollover has taken place. From the first day of issuance, the introduction of the new notes has proceeded smoothly and virtually without incident. Even in areas where past experience warranted concern, such as Russia and the rest of the Newly Independent States, where redesigns of the domestic currencies were often destabilizing, the introduction has gone extraordinarily well in a business-as-usual environment.

We would attribute this smooth transition to three factors: (1) worldwide confidence in pre-Series 1996 U.S. currency; (2) our comprehensive global public education campaign; and (3) the cooperation of the State Department and our counterparts overseas. First, let me address the confidence issue.

The users of U.S. currency, people literally from every region of the world, have demonstrated their confidence in pre-Series 1996 U.S. currency by continuing to use older series notes and, for the most part, acquiring Series 1996 notes through the normal course of business rather than by rushing to exchange older notes. In fact, in most of the countries we have visited, there has not yet developed a clear preference for Series 1996 notes. We expect, however, that this will gradually change as a larger percentage of notes outstanding become Series 1996 notes.

Another crucial aspect of the smooth rollover has been our public education campaign. This campaign has been an integrated multi-agency, worldwide effort to inform, educate, and train the users of U.S. currency about our redesign efforts. We have utilized a variety of media outlets and vehicles ranging from printed materials to public service announcements to paid advertising, and we mobilized support that included the United States Information Agency and embassies around the globe. In the end, we found awareness of the new currency to be extremely high.

Finally, we worked in concert with many of our counterparts overseas. The Central Bank of Russia, for instance, helped to insure that its commercial banks did not use the introduction as a means by which to heavily discount older series notes. Wholesale currency banks distributed

information to their customers and helped spread our messages, including the reasons for the redesign and assurances that there would be no recall of older series notes.

In summary, we are extremely pleased with the introduction of the Series 1996 \$100 note. Moreover, we are building upon that success as we move forward. Four weeks ago today, Secretary Rubin and Chairman Greenspan unveiled the Series 1996 \$50 note, which incorporates all of the security features of the \$100 as well as a large dark numeral on a white background on the back of the note to aid the low-vision and aging communities, and all of us in low-light circumstances. As we speak, the Bureau of Engraving and Printing is producing these notes for issuance this fall. We are on schedule for the subsequent issuance of the new \$20 next year, with lower denominations to follow.

Despite our success so far, we are continuing to make strides to stay ahead of the technology curve. Through efforts such as those of the Securities Technology Institute at the Applied Physics Lab of Johns Hopkins University, we are already pursuing the security features that will be part of the next generation of U.S currency -- a generation that, due to the rapid pace of technological change, is likely to be only several years rather than several decades away.

Thank you again for the opportunity to provide this update. I would now like turn to Roger Anderson, who will present a more detailed discussion of our audit plan.

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